Tax increment financing

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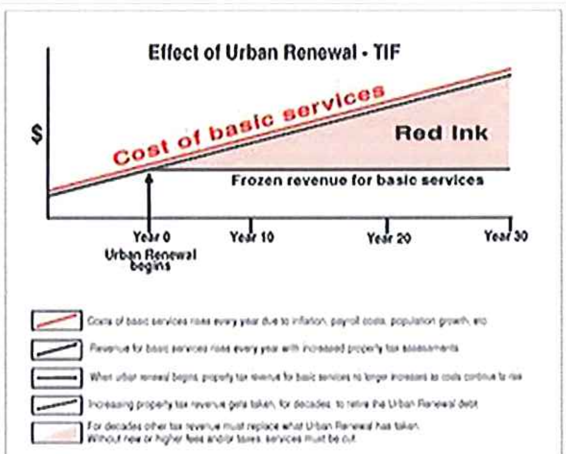
The examples and perspective in this article deal primarily with the United States and do not represent a worldwide view of the subject. (July 2015)

Tax increment financing (TIF) is a public financing method that is used as a subsidy for redevelopment, infrastructure, and other community-improvement projects in many countries, including the United States. Similar or related value capture strategies are used around the world. Through the use of TIF, municipalities typically divert future property tax revenue increases from a defined area or district toward an economic development project or public improvement project in the community."The first TIF was used in California in 1952.[1] By 2004, all 50 American States had authorized the use of TIF.[1]:7[2] The first TIF in Canada was used in 2007.[3] As the use of TIFs increases elsewhere, in California, where they were first conceived, in 2011 Governor Jerry Brown enacted legislation which led to elimination of California's nearly 400 redevelopment agencies that implemented TIFs, in response to California's Fiscal 2010 Emergency Proclamation thereby stopping the diversion of property tax revenues from public funding. The RDAs are appealing this decision.[4] TIF subsidies are not appropriated directly from a city's budget, but the city incurs loss through foregone tax revenue.[5]



If the cost of basic services increases, with TIF in place, the result is a revenue shortfall that has to be paid from sources other than tax revenues of the TIF district to prevent service cuts.

The routine yearly increases district-wide, along with any increase in site value from the public and private investment, generate an increase in tax revenues. This is the "tax increment." Tax increment financing dedicates tax increments within a certain defined district to finance the debt that is issued to pay for the project. TIF was designed to channel funding toward improvements in distressed, underdeveloped, or underutilized parts of a jurisdiction where development might otherwise not occur. TIF creates funding for public or private projects by borrowing against the future increase in these property-tax revenues.[6]